

INTERNATIONAL BIRD RESCUE
(A NONPROFIT CORPORATION)
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
December 31, 2012 and 2011



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
International Bird Rescue

Report on the Financial Statements

I have audited the accompanying financial statements of International Bird Rescue, which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Bird Rescue as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Schedule of Functional Expenses

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Magaatna, Guam
July 31, 2013

INTERNATIONAL BIRD RESCUE

Statements of Financial Position December 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash (Notes 2 and 9)	\$ 43,782	\$ 621,187
Accounts receivable (Notes 2, 3, 9 and 13)	111,670	294,783
Prepaid expenses	45,035	41,633
Inventory (Note 2)	<u>12,392</u>	<u>12,393</u>
Total current assets	212,879	969,996
Property and equipment, net (Notes 2, 4 and 7)	110,611	116,801
Security deposits	<u>6,719</u>	<u>12,279</u>
Total Assets	<u>\$ 330,209</u>	<u>\$1,099,076</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable (Note 2)	\$ 16,865	\$ 32,622
Accrued expenses (Note 2)	91,468	97,750
Credit cards payable (Note 2)	3,095	13,968
Deferred revenues (Note 2)	<u>37,198</u>	<u>37,199</u>
Total liabilities	<u>148,626</u>	<u>181,539</u>
Commitments and contingencies (Notes 7, 8, 10 and 11)		
Net assets: (Note 2)		
Unrestricted: (Note 13)		
Undesignated	46,462	770,736
Invested in property and equipment	<u>110,611</u>	<u>116,801</u>
Total unrestricted	157,073	887,537
Temporarily restricted (Note 6)	<u>24,510</u>	<u>30,000</u>
Total net assets	<u>181,583</u>	<u>917,537</u>
Total Liabilities and Net Assets	<u>\$ 330,209</u>	<u>\$1,099,076</u>

See accompanying notes to financial statements.

INTERNATIONAL BIRD RESCUE

Statement of Activities For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support:				
Contributions (Notes 2 and 10)	\$ 551,757	\$ 24,555	\$ -	\$ 576,312
In-kind contributions (Notes 2, 7, 8 and 10)	225,882	-	-	225,882
Grants (Notes 2, 3, 6, and 10)	-	40,625	-	40,625
Net assets released from restrictions	<u>70,670</u>	<u>(70,670)</u>	<u>-</u>	<u>-</u>
Total support	<u>848,309</u>	<u>(5,490)</u>	<u>-</u>	<u>842,819</u>
Revenues:				
Program services (Notes 1, 2, 3, 6, and 10)	566,130	-	-	566,130
Sale of merchandise, net	6,136	-	-	6,136
Other	<u>13,289</u>	<u>-</u>	<u>-</u>	<u>13,289</u>
Total revenues	<u>585,555</u>	<u>-</u>	<u>-</u>	<u>585,555</u>
Total support and revenues	<u>1,433,864</u>	<u>(5,490)</u>	<u>-</u>	<u>1,428,374</u>
Operating expenses:				
Program services				
Response	485,517	-	-	485,517
Rehabilitation	1,210,917	-	-	1,210,917
Research	<u>3,661</u>	<u>-</u>	<u>-</u>	<u>3,661</u>
Total program services	<u>1,700,095</u>	<u>-</u>	<u>-</u>	<u>1,700,095</u>
Support services:				
Management and general	214,926	-	-	214,926
Development	<u>249,307</u>	<u>-</u>	<u>-</u>	<u>249,307</u>
Total support services	<u>464,233</u>	<u>-</u>	<u>-</u>	<u>464,233</u>
Total operating expenses	<u>2,164,328</u>	<u>-</u>	<u>-</u>	<u>2,164,328</u>
Change in net assets	(730,464)	(5,490)	-	(735,954)
Net assets, beginning of year (Note 13)	<u>887,537</u>	<u>30,000</u>	<u>-</u>	<u>917,537</u>
Net assets, end of year	<u>\$ 157,073</u>	<u>\$ 24,510</u>	<u>\$ -</u>	<u>\$ 181,583</u>

See accompanying notes to financial statements.

INTERNATIONAL BIRD RESCUE

Statement of Activities
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support:				
Contributions (Notes 2 and 10)	\$ 492,562	\$ -	\$ -	\$ 492,562
In-kind contributions				
(Notes 2, 7, 8, 10 and 12)	227,350	-	-	227,350
Grants (Notes 2, 3, 6, and 10)	-	80,000	-	80,000
Net assets released from restriction	<u>180,500</u>	<u>(180,500)</u>	<u>-</u>	<u>-</u>
Total support	<u>900,412</u>	<u>(100,500)</u>	<u>-</u>	<u>799,912</u>
Revenues:				
Program services				
(Notes 1, 2, 3, 6 and 10)	1,627,038	-	-	1,627,038
Sale of merchandise, net	1,969	-	-	1,969
Investment income	1,783	-	-	1,783
Other	<u>14,882</u>	<u>-</u>	<u>-</u>	<u>14,882</u>
Total revenues	<u>1,645,672</u>	<u>-</u>	<u>-</u>	<u>1,645,672</u>
Total support and revenues	<u>2,546,084</u>	<u>(100,500)</u>	<u>-</u>	<u>2,445,584</u>
Operating expenses:				
Program services	2,345,111	-	-	2,345,111
Support services:				
Management and general	281,881	-	-	281,881
Development	<u>211,150</u>	<u>-</u>	<u>-</u>	<u>211,150</u>
Total operating expenses	<u>2,838,142</u>	<u>-</u>	<u>-</u>	<u>2,838,142</u>
Change in net assets	(292,058)	(100,500)	-	(392,558)
Net assets, beginning of year	<u>1,179,595</u>	<u>130,500</u>	<u>-</u>	<u>1,310,095</u>
Net assets, end of year	<u>\$ 887,537</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 917,537</u>

See accompanying notes to financial statements.

INTERNATIONAL BIRD RESCUE

Statements of Cash Flows For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Changes in net assets	\$ (735,954)	\$ (392,558)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,468	24,751
Investment and other non-operating income and expenses, net	-	427
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	183,113	1,124,385
Prepaid expenses	(3,402)	(19,910)
Inventory	1	4,362
Security deposits	5,560	(12,279)
Increase (decrease) in liabilities:		
Accounts payable	(15,757)	(48,926)
Accrued expenses	(6,282)	37,809
Credit cards payable	(10,873)	13,728
Deferred revenues	(1)	(1,542)
Net cash provided by (used in) operating activities	<u>(558,127)</u>	<u>730,247</u>
Cash flows from investing activities:		
Purchase of equipment	(19,278)	(84,650)
Proceeds from (purchase of) investments	-	12,240
Net cash used in investing activities	<u>(19,278)</u>	<u>(72,410)</u>
Cash flows from financing activities:		
Repayment of line of credit	-	(70,000)
Net cash used in financing activities	<u>-</u>	<u>(70,000)</u>
Net increase (decrease) in cash	(577,405)	587,837
Cash, beginning of year	<u>621,187</u>	<u>33,350</u>
Cash, end of year	<u>\$ 43,782</u>	<u>\$ 621,187</u>
Supplemental information:		
Interest paid	<u>\$ 30</u>	<u>\$ 539</u>

See accompanying notes to financial statements.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(1) Nature of Organization

International Bird Rescue Research Center was incorporated in the State of California as a nonprofit corporation on April 20, 1971. On April 20, 2011 the name of the organization was changed to International Bird Rescue (the Organization). International Bird Rescue was created for the purpose of providing emergency response resulting from oil spills and other human caused environmental disasters specifically related to rehabilitating aquatic birds and other wildlife injured in such disasters. To a lesser extent, the Organization is involved in rescue and medical rehabilitation of aquatic birds, research and training.

The Oiled Wildlife Care Network (OWCN) is a legislatively mandated program of the California Fish and Game, Office of Spill Prevention and Response and was established to ensure that wildlife exposed to petroleum products in the environment receive treatment by providing access to permanent wildlife rehabilitation facilities and trained personnel for spill response within the State of California. The Organization acts as the lead oiled bird response organization under oversight of the OWCN and responds to most of the oil spills that affect birds, reptiles and fresh water aquatic animals in the State of California.

Additionally, the Organization maintains an Alaska operation funded primarily by retainers from oil and gas related entities.

(2) Summary of Significant Accounting Policies

A summary of International Bird Rescue's significant accounting policies in the preparation of the accompanying financial statements follows:

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America using the accrual basis of accounting. In accordance with the Accounting Standards Codification (ASC) Section 958-205, *Presentation of Financial Statements of Not-for-Profit Organizations*, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. The Organization is permitted to use the income earned on the related investments for general or specified operating purposes.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Revenues are reported as an increase in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as a decrease in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Management was unable to provide by program and activity the expense totals for the three major programs and activities for the year ended December 31, 2011 and those expenses are reported in total as program services operating expenses on the statement of activities.

Cash

For the purpose of the statements of financial position and cash flows, the Organization considers cash to be cash on hand and cash in checking and savings accounts. As of December 31, 2012 and 2011, the carrying amount of the Organization's cash was \$43,782 and \$621,187, respectively; of these \$43,782 in 2012 and \$30,000 in 2011 have donor-imposed restrictions, generally program related costs. The Organization's checking and savings accounts were with a federally insured bank and are within insurable limits at December 31, 2012 and 2011.

Accounts Receivable and Allowance for Bad Debts

Accounts receivable arise in the normal course of business in providing program services. The Organization provides an allowance for bad debts based on historical collection experience and a review of the current status of receivables. The Organization believes that all receivables are collectible and has not provided for bad debts as of December 31, 2012 and 2011. It is reasonably possible that the estimate for bad debts will change.

Inventory

Inventory consists of items for resale and are recorded at the lower of cost (first-in, first out method) or market (net realizable value).

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Investments

International Bird Rescue classifies its debt and marketable equity securities into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Organization has positive intent and ability to hold the securities to maturity. Debt securities for which the Organization does not have intent to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short-term or long-term on the accompanying Statement of Financial Position based on contractual maturity date and are stated at amortized cost. Marketable securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gain and losses, net of tax, included in the determination of comprehensive revenue and reported in net assets.

The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. Gains or losses on securities sold are based on the specific identification method.

There were no investments at December 31, 2012 and 2011.

Property and Equipment

Property and equipment consists of office furniture and equipment, fixtures, vehicles and improvements and is stated at cost, net of accumulated depreciation. Donated vehicles are stated at their estimated or actual value at the time they were donated to the Organization, net of accumulated depreciation. The Organization does not imply time restriction on donated assets received without stipulations about how long the donated assets must be used.

Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method based on estimated useful lives.

Donated Services, Materials and Equipment

Amounts are reported in the financial statements for voluntary donations of services that create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would be typically purchased if not provided by donation. Donated services, materials and equipment are recorded at the fair value of the gift.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

Employees of International Bird Rescue are entitled to paid vacation of 6.66 hours per month during the first year of service, 10.00 hours per month from one to five years of service, 12.00 hours per month from six to nine years of service and 13.33 hours per month for ten or more years of service. The compensated absences accrual at December 31, 2012 and 2011 totaled \$39,906 and \$38,528, respectively, and is presented as a component of accrued expenses in the accompanying Statements of Financial Position.

Programs and Activities

The Organization is involved in three major programs and activities as follows:

Oil Spill and Preparedness. The Organization provides oiled wildlife capture, rehabilitation and documentation services on an assured basis for companies that transport or hold petroleum products. It maintains a professional oiled wildlife response team comprised of trained and experienced wildlife rehabilitators, veterinarians, biologists and other experts.

Aquatic Bird Rehabilitation. The Organization is a worldwide leader in the care and rehabilitation of seabirds and other aquatic birds.

Research and Education. The Organization is also involved in continued research and education devoted to oiled wildlife response and aquatic bird rehabilitation.

Revenues

Revenues are derived from contracts and retainers with petroleum related companies, grants, the OWCN, dues and memberships and public support. Contracts and retainers are recognized over the period covered in the agreement, generally one year. Contract and retainer revenues not yet earned are recorded as deferred revenues. All contributions are recognized as public support when received. Grants and amounts received from OWCN are recognized as revenue when used for that specific purpose. Dues, memberships and public support are recognized in full when received or unconditionally promised. Donations of property and equipment, rent and professional services are recorded at their fair market value at the time of receipt.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Contributions

FASB ASC Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, requires that contributions received are to be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under FASB ASC Topic 958 time restricted contributions are required to be reported as temporarily restricted support and are then reclassified to net assets upon expiration of the time restriction.

Contributions, including unconditional promises to give (pledge), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values.

Income Taxes

International Bird Rescue is a nonprofit corporation that is exempt from state and federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income tax has been provided in the accompanying financial statements. The Organization is required to report its financial position, financial activities and other information related to certain donors, officers and directors on annual informational returns with the U.S. Department of Treasury, Internal Revenue Service, and the states of California and Illinois. Tax years that remain subject to examination by major tax jurisdictions for the Organization are 2011, 2010 and 2009.

Valuation of long-lived assets

International Bird Rescue reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. The factors considered by management in performing the assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition and other economic factors. To date, management has determined no such impairment exists.

Fair Value of Financial Instruments

The carrying amount reflected in the Statement of Financial Position for cash, accounts receivable, accounts payable, credit cards payable and deferred revenues approximate their respective fair values due to the short-term maturities of those instruments.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(2) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data

The amounts shown for the year ended December 31, 2011 in the accompanying Schedule of Functional Expenses are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Recent Pronouncements

In October 2012, the FASB issued Update No. 2012-05 - *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, a consensus of the FASB Emerging Issues Task Force. The amendments in this Update require a Not-for-Profit entity (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The amendments in this Update are effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year is permitted. For fiscal years beginning before October 22, 2012, early adoption is permitted only if a NFP's financial statements for those fiscal years and interim periods within those years have not yet been made available for issuance. Management does not believe that the implementation of this Statement will have a material effect on the Organization's financial statements.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(3) Accounts Receivable and Grants Receivable

Accounts Receivable

Accounts receivable consists primarily of amounts invoiced for contract retainers. No provision has been made for uncollectible accounts as, in the opinion of management, all accounts outstanding as of December 31, 2012 and 2011 are collectible.

Grants Receivable

Grants receivable consist of receivable from various donors. Changes in grants receivable as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Grants receivable, beginning	\$ -	\$ -
Grants received in the current year	40,625	80,000
Collections made	<u>(40,625)</u>	<u>(80,000)</u>
Grants receivable, ending	<u>\$ -</u>	<u>\$ -</u>

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(4) Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Lives	2012	2011
Vehicles	5 years	\$ 52,997	\$ 61,512
Tanks and enclosures	20 years	56,464	56,464
Office equipment	5 years	22,632	11,553
Medical equipment	5 years	27,323	8,309
Furniture and fixtures	7 years	24,091	7,641
Leasehold improvements	7 years	61,535	88,801
		245,042	234,280
Accumulated depreciation		(134,431)	(117,479)
Property and equipment, net		<u>\$ 110,611</u>	<u>\$ 116,801</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$25,468 and \$24,751, respectively.

(5) Line of credit

In July 2012 and 2011, International Bird Rescue obtained a short-term line of credit from Wells Fargo Bank with a limit of \$100,000. Amounts drawn on the line of credit are unsecured, have no maturity date, and bears variable interest based on the highest daily prime lending rate posted in the Wall Street Journal. The interest rate was 3.25% per annum at December 31, 2012 and 2011. As of December 31, 2012 and 2011, the Organization had \$0 outstanding on the line of credit. The line of credit eligibility is reviewed annually by Wells Fargo Bank.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(6) Contract Retainers and Grant Revenue

Contract retainer revenue is derived primarily from oil and gas related entities and recognized on a monthly basis over the term of the agreement. Amounts received but not yet earned are recorded as deferred revenue. Contract retainer revenue is presented in the Statements of Activities as program services revenue.

Grants received are restricted in use to be used solely for supporting projects. The grants are classified as temporarily restricted in the Statements of Activities.

The following summarizes grants received during the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
The Green Foundation	\$ 30,000	\$ -
SeaWorld/Busch Gardens	5,000	-
Pacific Gas and Electric	2,500	-
Las Candelistas	2,000	-
Edison International	1,000	-
Schwab Charitable Fund	100	-
Eric Woehler	25	-
Jewish Community Federation Endowment Fund	-	50,000
Princess Cruises	-	15,000
C.B. Garrett Foundation	-	15,000
	<u>\$ 40,625</u>	<u>\$ 80,000</u>

Temporary restricted net assets as of December 31, 2012 and 2011 are restricted for the following:

	<u>2012</u>	<u>2011</u>
Rehabilitation centers	\$ 12,975	\$ -
Care of birds	9,955	30,000
Canadian intern stipend	1,580	-
	<u>\$ 24,510</u>	<u>\$ 30,000</u>

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(7) Donated Use of Operating Premises

International Bird Rescue conducts its operations provided at below market cost at two California locations, as discussed below.

Operations conducted at the San Pedro, California location are provided under a joint use and lease agreement with the Los Angeles Unified School District. The term of the lease is on a monthly basis and may be terminated by either party with a ninety day notice. The agreement specifies an annual rental payment of \$1 per year. Management of the Organization estimates the fair rental market value of the premises to be \$108,000 per year based on comparable rents in the immediate area.

Operations conducted at the Fairfield, California location are situated on land recorded in the name of IBR. The land was purchased in accordance with an agreement with the State of California, Department of Fish and Game, Oiled Wildlife Care Network program. Management asserts that the agreement stipulates that should the Organization cease to be the primary respondent for oiled wildlife, that the land and improvements made from program funding be returned to the State within ninety days. Management further asserts that the land cannot be sold, pledged, collateralized or encumbered. Due to the restrictions of use and transferability, the land is not capitalized as an asset of the Organization. The majority of the improvements on the property were paid from the Oiled Wildlife Care Network program. There is no rent assessed on the improvements. Management of the Organization estimates the fair rental market value of the premises to be \$108,000 per year based on comparable rents in the immediate area.

The Organization would be adversely affected should use of the San Pedro, California or Fairfield, California property at minimal or no rent discontinue.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(8) Commitments

As of December 31, 2012, International Bird Rescue conducted operations from two locations in California and one in Alaska.

Land and buildings for operations conducted at the San Pedro, California and Fairfield, California locations are provided at minimal or no rent and more fully discussed in Note 7.

The Organization's operations in Anchorage, Alaska are conducted from premises under a lease agreement expiring September 30, 2013. The monthly amount of rent is \$6,500 per month from January 2013 to August 2013. Management intends to renew this lease in the normal course of business.

In March 2011, the Organization entered into an office lease agreement in Long Beach, California, to conduct corporate, administrative and marketing functions. The lease expires on August 31, 2013 and is at a cost of \$2,065 per month for the year 2013. Management does not intend to renew this lease.

Future minimum lease payments are as follows:

2013	<u>\$ 68,520</u>
	<u>\$ 68,520</u>

Rent expense presented in the Statements of Financial Activities for the year ended December 31, 2012 and 2011 amounted to \$319,761 and \$315,896, respectively, of which \$216,000 in each year pertains to in-kind contribution for the premises rent for the two California locations.

(9) Concentration of Credit Risk

International Bird Rescue maintains its cash in bank accounts that may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk related to cash. Concentration of credit risk with respect to accounts receivable is due to receivables being primarily due from oil and gas industry related entities in the State of Alaska and from spill response in other locations.

INTERNATIONAL BIRD RESCUE

Notes to Financial Statements December 31, 2012 and 2011

(10) Economic Dependency and Contingencies

International Bird Rescue receives a substantial amount of its support from private sector donors and contracts as well as in-kind donations for certain premises where it conducts operations. A significant reduction in the level of this support, if this were to occur, would have an adverse effect on its programs and activities. For the years ended December 31, 2012 and 2011, the Organization received 55% in 2012 and 30% in 2011 of its support from private sector donors, 40% in 2012 and 67% in 2011 of its support from retainer contracts and 16% in 2012 and 10% in 2011 of its support from in-kind contributions, most in the form of premises provided for operations.

(11) Subsequent Events

International Bird Rescue evaluated subsequent events from December 31, 2012 through March 21, 2013, the date the financial statements were available to be issued. The Organization did not note any subsequent events requiring disclosure or adjustment to the accompanying financial statements.

(12) Other Matters

International Bird Rescue relies on volunteer support to conduct general support and program services. Such services are not recorded as in-kind donations as the volunteer services do not create or enhance financial assets and special skills are not required. Volunteer hours totaled 24,897 hours for 201 volunteers and 26,750 hours for 243 volunteers for the years ended December 31, 2012 and 2011, respectively.

(13) Reclassifications

Certain financial statement amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

INTERNATIONAL BIRD RESCUE

Schedule of Functional Expenses For the Year Ended December 31, 2012 (With Comparative Totals for the Year Ended December 31, 2011)

	2012								
	Program Services				Support Services				
	Response	Rehabilitation	Research	Total	Management Services	Support and General	Total	2012 Total	2011 Total
Expenses:									
Salaries, wages and payroll taxes	\$ 261,009	\$ 480,948	\$ 401	\$ 742,358	\$ 104,306	\$ 151,259	\$ 255,565	\$ 997,923	\$1,399,339
Rent	77,997	216,000	-	293,997	25,413	351	25,764	319,761	315,896
Utilities and communications	22,599	127,892	-	150,491	6,119	1,215	7,334	157,825	165,099
Employee benefits	26,357	64,245	-	90,602	18,266	15,822	34,088	124,690	134,614
Clinic food, water and rehabilitation costs	-	106,102	-	106,102	-	-	-	106,102	78,709
Travel	72,772	13,134	411	86,317	7,269	3,221	10,490	96,807	100,812
Insurance	5,416	72,667	-	78,083	8,111	1,058	9,169	87,252	44,889
Professional fees	4,913	689	-	5,602	31,924	35,396	67,320	72,922	118,811
Clinic medical supplies	-	70,668	-	70,668	-	-	-	70,668	75,766
Depreciation	-	21,370	-	21,370	3,540	558	4,098	25,468	24,751
Repairs and maintenance	889	22,939	85	23,913	632	-	632	24,545	56,272
Marketing	1,528	-	76	1,604	-	20,426	20,426	22,030	33,553
Spill response expenses	7,477	-	-	7,477	-	-	-	7,477	218,240
Vehicle expense	217	5,274	-	5,491	37	253	290	5,781	6,673
Recruitment and training	2,358	-	-	2,358	-	-	-	2,358	13,500
Spill response supplies	801	-	-	801	-	-	-	801	8,004
Other operating expenses and services	1,184	8,989	2,688	12,861	9,309	19,748	29,057	41,918	43,214
Total expenses	\$ 485,517	\$ 1,210,917	\$ 3,661	\$1,700,095	\$ 214,926	\$ 249,307	\$ 464,233	\$2,164,328	\$2,838,142

See accompanying independent auditor's report.